

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**GOODRICH PETROLEUM
COMPANY, L.L.C.
AI # 18735 and 32288**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

* **Settlement Tracking No.**
* **SA-AE-05-0061**

* **Enforcement Tracking No.**
* **AE-PP-04-0261**
* **AE-PP-04-0261A**
* **AE-PP-05-0115**
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SETTLEMENT

The following Settlement is hereby agreed to between Goodrich Petroleum Company, L.L.C. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a limited liability company who owned and/or operated two oil production facilities known as 1) West Delta Block 83 E-5 Production Facility (Agency Interest No. 18735) located approximately sixteen miles southwest of Pilottown in Plaquemines Parish, Louisiana; and 2) Lake Raccourci Field Production Facility (Agency Interest 32288) located approximately 9.5 miles southwest of Leeville in Lafourche Parish, Louisiana.

II

On March 2, 2005, a Notice of Potential Penalty, Enforcement No. AE-PP-04-0261, was issued to the Respondent which was based upon the following findings of fact:

On or about November 16, 2004, a file review of the West Delta Block 83 E-5 Production Facility, was performed to determine the degree of compliance with the Louisiana Environmental

Quality Act (the Act) and the Air Quality Regulations.

The following violations were noted during the course of the review:

- A. The Respondent was issued a standard oil and gas permit, Air Permit Number 2240-00086-04, on or about March 10, 2003. This permit includes provisions which allow the permittee to make minor equipment changes without the need to secure a permit modification. However, No. V of the Air Permit Briefing Sheet states that within seven (7) calendar days after effecting any modification to a facility, the permittee shall submit an updated Emission Point List, Emissions Inventory Questionnaire, emissions calculations, and certification statement to the Permits Division and the appropriate Regional Office. According to the Respondent's letters dated April 27, 2004, and August 31, 2004, the glycol dehydration unit, Emission Point Nos. 1-10 and 1-11, was replaced with a larger unit on July 5, 2003. According to the information submitted by the Respondent, total VOCs from the new unit, Emission Point Nos. 16-04-GR-BS and 17-04-GR-SCC, are estimated to be 8.6 tons per year (tpy). Permitted emissions from the previous unit were 3.7 tpy. The Respondent submitted an application dated June 3, 2004, to replace the previously permitted glycol dehydration unit with the new larger unit and to include emissions from the glycol pump flash separator, Emission Point No. 35-04-GPFS-RV. The Respondent's failure to submit the information required by No. V of the operating permit within seven (7) calendar days is a violation of General Condition II of Air Permit No. 2240-00086-04, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
- B. According to the Respondent's letters dated April 27, 2004, and August 31, 2004, the Respondent failed to authorize emissions from heater treater waste gas and several gas operated pumps and pneumatic controllers. According to the information submitted by the Respondent, these emission sources were likely installed during original facility construction. The Respondent assumed ownership of the facility from Energy Development Corporation on or about January 1, 2000. Failure to obtain approval from the permitting authority prior to the construction, modification, or operation of a facility which may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Respondent submitted an application dated June 3, 2004, to include emissions from the gas operated pneumatic controllers (Emission Point No. 32-04-PC), heater treater waste gas (Emission Point No. 34-04-HT-WG) and ten gas operated pumps (Emission Point Nos. 22-04-GOP through 31-04-GOP).
- C. According to the Respondent's letter dated August 31, 2004, the average total oil processing rate through the facility was 1434 BBLD (barrels per day) from November 4, 2002 through July 1, 2004, in exceedance of the permitted average of 400 BBLD. As a result of the increase in oil throughput, VOC emissions from the oil storage tanks (Emission Point Nos. 1-07 and 1-13), were 112 tpy each, in exceedance of the permitted 77 tpy for each tank. Each exceedance of the annual permitted limits of VOC emissions from the oil storage tanks and the oil production rate is a violation of General Condition I of Air Permit Number 2240-00086-04, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Respondent submitted an application dated June 3, 2004, which revised emissions based on

updated throughput rates and replaced the two previously permitted oil storage tanks with two 1500 BBL oil storage tanks (Emission Point Nos. 14a-04-OST-CV and 14b-04-OST-CV). According to the permit application, VOC emission rates from these sources are 6.86 tpy each.

This enforcement action was amended by AE-PP-04-0261A, issued May 22, 2006, which amended paragraph B above to read as follows:

- B. According to the Respondent's letters dated April 27, 2004, and August 31, 2004, the Respondent failed to authorize emissions from heater treater waste gas and pneumatic controllers. According to the information submitted by the Respondent, these emission sources were likely installed during original facility construction. The Respondent assumed ownership of the facility from Energy Development Corporation on or about January 1, 2000. Failure to obtain approval from the permitting authority prior to the construction, modification, or operation of a facility which may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Respondent submitted an application dated June 3, 2004, to include emissions from the gas operated pneumatic controllers (Emission Point No. 32-04-PC) and heater treater waste gas (Emission Point No. 34-04-HT-WG).

III

On August 15, 2005, a Notice of Potential Penalty, Enforcement No. AE-PP-05-0115, was issued to Respondent, which was based upon the following findings of fact:

On or about June 24, 2004, an inspection of the Lake Raccourci Field Production Facility, was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility currently operates under Air Permit No. 1560-00037-03 issued on June 10, 2005. The facility operated under Air Permit No. 1560-00037-02, issued on December 22, 1998, at the time of the inspection.

The following violation was noted during the course of the inspection:

The Respondent installed an unpermitted compressor engine at the facility. According to a letter dated May 31, 2005, and correspondence dated June 6, 2005, from the Respondent's consultant, the Respondent installed and began operating the unpermitted 265 horsepower engine on June 12, 2000. The Respondent's failure to submit a permit application and receive approval

from the permitting authority prior to the construction, modification, and/or operation of a facility, which ultimately may have resulted in an initiation or increase in emission of air contaminants, is a violation of LAC 33:III.501.C.1, LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act. The Respondent submitted a permit modification application dated June 20, 2000, to add a 230 horsepower compressor engine to the facility's permit. The Respondent submitted a permit modification application dated September 2, 2004, as a replacement of the 2000 application, to add a 265 horsepower compressor engine to the facility's permit. In a letter dated May 31, 2005, and correspondence dated June 6, 2005, the Respondent's consultant requested interim authorization on behalf of the Respondent to operate the compressor engine. Air Permit No. 1560-00037-03 was issued on June 10, 2005, to reconcile this previously unpermitted compressor engine.

IV

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

V

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of FIVE THOUSAND SIX HUNDRED FORTY ONE AND 69/100 (\$5,641.69) of which SIX HUNDRED AND 25/100 DOLLARS (\$600.25) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VI

Respondent further agrees that the Department may consider the inspection report(s), the Notices of Potential Penalty, the Amended Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped

from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VII

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VIII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the *Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.*

IX

The Respondent has caused a public notice advertisement to be placed in the official journals of the parish governing authority in Plaquemines Parish and Lafourche Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

X

Payment is to be made within ten (10) days from notice of the Secretary's signature. If

payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XI

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

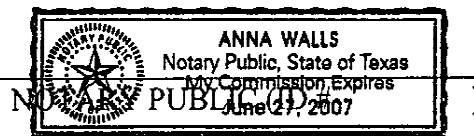
Goodrich Petroleum Company, L.L.C.

BY: Darrell H Knight
(Signature)

Darrell H. Knight
(Printed or Typed)

TITLE: Production Manager

THUS DONE AND SIGNED in duplicate original before me this 12 day of July, 20 06, at 4:55 am.



Anna Walls
(Printed or Typed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Mike D. McDaniel, Ph.D., Secretary

BY: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 15th day of September, 20 06, at Baton Rouge, Louisiana.

Robert A. Dear
NOTARY PUBLIC (ID #27771)

Randall S. Dear
(Printed or Typed)

Approved: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary